



August 27, 2009

The Honorable Darrell Steinberg  
President pro Tempore  
California State Senate  
State Capitol  
Room 205  
Sacramento, California 95814

The Honorable Karen Bass  
Speaker  
California State Assembly  
State Capitol  
Room 219  
Sacramento, California 95814

The Honorable Dennis Hollingsworth  
Republican Leader  
California State Senate  
State Capitol  
Room 305  
Sacramento, California 95814

The Honorable Sam Blakeslee  
Republican Leader  
California State Assembly  
State Capitol  
Room 3104  
Sacramento, California 94249

Dear Senator Steinberg, Speaker Bass, Senator Hollingsworth and Mr. Blakeslee,

Despite efforts stretching across all levels of government in California, Toyota Motor Company announced today its decision to terminate all auto production at the NUMMI plant in Fremont. This closure will be a staggering blow to the auto industry in California and the local economy overall with the direct loss of 4,700 jobs and a devastating impact on an additional 19,000 jobs because of its ripple effect on suppliers, services and other local businesses.

California can stand by and lament the loss of these high-paying jobs – or we can summon the political will to do something about it. In an ideal world, we would cut the cost of doing business in California for all companies by lowering taxes, reducing the cost of housing and creating a regulatory environment that is more conducive to job creation. California is the greatest place on Earth to live and do business but, as we all know, it is a high-cost state, and we have to compensate for that if we want to compete with lower-cost states for jobs and investment dollars.

Toyota's decision to close operations at the NUMMI plant does not have to result in the permanent loss of those high-paying jobs. California is uniquely positioned to attract other manufacturers – particularly in the emerging clean technology industry – to use that facility if we lower the costs for a new company to move in, retrofit or purchase new equipment and retrain the local workforce.

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By providing a sales tax exemption on the purchase of manufacturing equipment for advanced transportation, renewable energy and other clean technology projects, Assembly Bill 1111 provides critical incentives to attract a new, clean-tech manufacturer to enter into the NUMMI facility. This bill, co-sponsored by the Governor and the Treasurer and authored by Assemblyman Sam Blakeslee, would codify the existing authority of the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to exempt zero emission vehicle manufacturers from sales tax on the purchase of new manufacturing equipment. The bill also adds a broad range of clean technologies including electric and low emission vehicles, fuel cells, solar, wind and other renewable energy components to the list of manufacturing equipment subject to the sales tax exemption. The CAEATFA governing board includes representation from the state's Energy and Public Utilities Commissions, ensuring that all exemption decisions are grounded in sound, expert energy conservation policy.

This targeted sales tax exemption for the purchase of clean-tech manufacturing equipment would not cost the state precious tax dollars; it would increase revenue by expanding the number of clean technology manufacturing companies that locate in California. Two dozen other states have sales tax exemption programs, and a recently released study by major accounting firm Deloitte & Touche showed that "implementation of the Sales Tax Exemption (STE) program would likely generate economic and environment benefits across the diverse set of manufacturing and installation projects" and "may even offset the cost of the STE within the first year of a project." Tesla Motors' decision to locate its new auto manufacturing facility in California – the first new auto manufacturing in the state for more than 50 years – was due in large part to a sales tax exemption provided for the purchase of its manufacturing equipment.

AB 1111 represents a chance to not only replace a loss to our economy, but to replace it in such a way that California comes out the stronger for it. However, this opportunity is finite; Toyota intends to terminate all NUMMI production by March of 2010. Nearly 5,000 of our fellow Californians – and the many more whose health and well-being will benefit by our great state reaching our AB 32 environmental goals – look to you for support and leadership. AB 1111 is one of our strongest tools for meeting those needs.

California is building a strong foundation as a world leader in the emerging clean technology market evidenced by an all-time high of \$3.3 billion in clean technology venture capital investment for 2008. This is an almost \$1.5 billion increase over 2007 and more than seven times the total clean tech investment in 2005. California also leads the nation in green jobs, with a June Pew Charitable Trusts study indicating that in 2007 alone, clean energy spurred the opening of 10,209 businesses with 125,390 jobs.

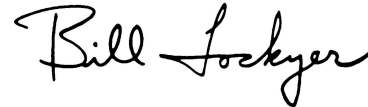
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AB 1111 would give California a critical tool to attract and maintain high-wage manufacturing jobs in the highly competitive clean technology industry. It may also help California retain tens of thousands of jobs now in jeopardy with the closure of the NUMMI plant.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold Schwarzenegger", with a stylized, cursive script.

Arnold Schwarzenegger  
Governor

A handwritten signature in black ink, appearing to read "Bill Lockyer", with a stylized, cursive script.

Bill Lockyer  
Treasurer